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**TESTIMONY
OF
SANDI HENNEQUIN**

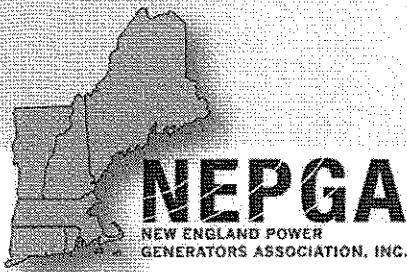
ON BEHALF OF

NEW ENGLAND POWER GENERATORS ASSOCIATION, INC. (NEPGA)

2010 – House Bills 5362 and 5365

**CONNECTICUT GENERAL ASSEMBLY
COMMITTEE ON ENERGY AND TECHNOLOGY**

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Good afternoon and thank you for the opportunity to testify. My name is Sandi Hennequin and I am the Vice President of the New England Power Generators Association, Inc. ("NEPGA"). NEPGA is the largest trade association representing competitive electric generating companies in New England. NEPGA's member companies represent approximately 28,000 megawatts (MW) – or nearly 80 percent – of generating capacity throughout New England, and over 7,500 MW of generation in Connecticut, representing the vast majority of the electric generating capacity in the state. NEPGA's mission is to promote sound energy policies which will further economic development, jobs and balanced environmental policy.

NEPGA's Position

NEPGA does not support HB 5362 and HB 5365 as currently drafted. These bills are not in the interest of Connecticut's ratepayers and represent a marked departure from past legislation introduced by this Committee. As discussed below, energy acts passed by the Legislature in 2005 and 2007 established fair and transparent processes by awarding long-term contracts for new generation. These processes ensured that proposals from many companies would be considered by the DPUC. In that way, the DPUC was able to pick the projects that best suited the needs of ratepayers in Connecticut – not just the state's two utilities.

The goal of these bills is clearly to incentivize the development of renewable generation and demand resources. While it is not entirely clear that additional incentives are needed, we suggest that any process established for this purpose maintain the successful precedent contained in the 2005 and 2007 acts – that is, through a Request for Proposals ("RFP") process open to all market participants. This fair and transparent model allows a wide range of market participants to harness competitive market

principles, and guarantee the most open and cost-efficient outcome to Connecticut ratepayers. As currently drafted, HB 5362 and HB 5365 restrict a potential long-term contract to the utilities, and only afford the state's two electric distribution companies the opportunity to develop renewable energy, Distributed Resources and potential other generation resources.

Results of 2005 and 2007 Legislation

In July 2005, the Connecticut General Assembly passed Public Act 05-01, the Energy Independence Act, which contained a number of incentives for reducing congestion costs, development of customer-side distributed generation and greater energy efficiency. In particular, the legislation provided for a RFP process for new generation and demand resources. Later, in July 2007, the General Assembly passed Public Act 07-242 which included a package of provisions to encourage energy efficiency and conservation, incentives for renewable energy, and incentives for other generation resources. The model for generation procurement in both pieces of legislation – an RFP process administered by the DPUC open to all market participants, not solely awarding contracts to the electric distribution companies – contributed to the robust generation development in Connecticut in which there is a substantial amount of generation under development. In response to the 2006 Connecticut DPUC RFP, over 80 projects totaling 8,000 MW were submitted. The 2007 Connecticut DPUC peaking RFP led to the submittal of 11 proposals totaling 1,800 MW. Both generation procurements were done through an open, fair and transparent competitive bidding process. This approach sought to expand the pursuit of generation development to a wide range of companies, allowing competitive market principles to deliver the desired generation, at the lowest costs to ratepayers.

HB 5362 and HB 5365

Neither HB 5362 nor HB 5365 are in the interest of Connecticut's ratepayers and, as discussed above, they represent a marked departure from past legislation introduced by this Committee. Section 6 (e) of HB 5362 would allow electric distribution companies to construct, own and operate solar electric generation facilities and recover their costs,

including a reasonable return on investment, through rates. Sections 1 and 2 of HB 5365 would allow electric distribution companies to construct, purchase, own or operate generation facilities for Class I and Class II renewable energy sources, and for customer-side Distributed Resources, again recoverable through rates with a reasonable return on investment. In both bills, the state would return to monopoly generation principles. In other words, the state would be mandating that only two companies could build renewable energy and distributed generation – essentially guaranteeing the utilities a monopoly on these types of generation without price checking their proposed projects against other companies in the marketplace. This approach defies common sense. The state has rules against no-bid contracts. Consumers price check everything from cereal, to automobiles, to home contractors. Moreover, this Committee and the Legislature essentially did away with this type of approach in 2005 and 2007 in exchange for generation procurements that are inclusive, open and transparent, and these processes were extremely successful.

Conclusion

NEPGA strongly encourages legislators to continue the successful competitive RFP procurement model utilized by the state in the past and to maintain the level competitive playing field for the benefit of the ratepayers. As currently drafted, these two bills would only allow the two electric distribution companies to develop new resources, an unfortunate return to a noncompetitive model limiting cost-effective choices for ratepayers' monies. Thus if the legislative intent is to pursue long-term contracts for renewable energy generation and Distributed Generation, NEPGA absolutely supports a more fair and transparent approach whereby all interested market participants can compete through an open RFP process and on the basis of cost. NEPGA believes this would better advance the public policy goals driving this legislation, and would utilize market forces to get the most cost-effective, efficient outcome to better serve ratepayer's interests.

Thank you for the opportunity to testify before you today. I would be happy to answer any questions from the Committee.